

Message Text

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PAGE 01 DAMASC 03012 250913Z
ACTION OPIC-06

INFO OCT-01 NEA-11 ISO-00 SSM-03 AID-05 CIAE-00
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FM AMEMBASSY DAMASCUS
TO SECSTATE WASHDC 8161

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E.O. 11652 N/A
TAGS: EINV, SY
SUBJECT: POLITICAL RISK CONVERTIBILITY INSURANCE (OPIC)

REF: (A) STATE A-1699, (B) 77 DAMASCUS 5908, (C) DAMASCUS 5847

1. EMBOFF HAS DISCUSSED SARG CURRENCY CONVERTIBILITY PRACTICES REF A WITH DIRECTOR OF MONETARY AND BANKING AFFAIRS, MINISTRY OF ECONOMY AND FOREIGN TRADE, HUSNI DIAB. DIRECTOR EXPLAINED THAT WITH TWO EXCEPTIONS (BELOW) FOREIGN INVESTORS REQUIRE THE PERMISSION OF THE CENTRAL BANK OF SYRIA FOR CONVERSION OF LOCAL TO FOREIGN CURRENCY. DIRECTOR SAID THAT PERMISSION WAS NORMALLY FREELY GRANTED, WITH 4-5 DAY DELAYS FOR PROCESSING ONLY.

2. EXCEPTIONS TO ABOVE FALL IN TWO FIELDS: A) FRE ZONES: PROJECTS ESTABLISHED WITHIN THE FREE ZONES NOW BEING CONSTRUCTED OR CONTEMPLATED IN DAMASCUS, ALEPPO, LATTAKIA, HOMS, DERA A ARE NOT SUBJECT TO EXCHANGE CONTROL REGULATIONS OF ANY KIND, AND B) TOURISM: PROPECTS OF THIS NATURE REQUIRE ONLY THE PERMISSION OF THE MINISTRY OF TOURISM TO EXCHANGE LOCAL INTO FOREIGN CURRENCY.

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3. LEGISLATIVE DECREE NO. 348 OF 1969 SPECIFICALLY GRANTS RIGHT OF RETRANSFER AND ACCESSIBILITY TO FOREIGN EXCHANGE TO SYRIAN NON-RESIDENT NATIONALS AND TO ARAB NATIONALS. DIAB INFORMED EMBOFF THAT SUCH RIGHTS ARE AVAILABLE TO ALL FOREIGN NATIONALS, AS REGULATED BY INDIVIDUAL INVESTMENT AGREEMENTS WITH FOREIGN FIRMS, OR BY BILATERAL CONVENTIONS WITH GOVERNMENTS.

4. EMBASSY IS UNAWARE AT PRESENT OF ANY DIFFICULTIES
ENCOUNTERED BY FOREIGN INVESTORS PER SE IN OBTAINING
FOREIGN EXCHANGE. AS NOTED REF B, THERE ARE NO OPERATION
PROJECTS IN THE FREE ZONES, THOUGH SOME ARE UNDER
CONSTRUCTION. WHILE IT IS CERTAINLY SARG INTENTION TO
PROVIDE FOREIGN EXCHANGE TO FOREIGN INVESTORS, THERE IS
SOME DOUBT AS TO THEIR ABILITY TO DO SO AT ALL TIMES
AND IN ALL CASES. AS REPORTED REF C, SARG HAS IN THE
PAST IMPOSED RESTRICTIONS ON CLAIMS FOR FOREIGN EXCHANGE
FOR PUBLIC AND PRIVATE DEBT AND FOR LETTERS OF CREDIT,
IN RESPONSE TO UNEXPECTED SHORTFALLS IN FOREIGN
ASSISTANCE FLOWS. EMBASSY UNDERSTANDS THAT COMMERCIAL BANK
OF SYRIA CONTINUES TO IMPOSE DELAYS OF UP TO ONE YEAR
IN PAYMENTS ON LCS, PARTICULARLY WHERE NO PENALTY
CLAUSES ARE INVOLVED. SIMILAR PRACTICES IN REGARD TO
INVESTMENT CANNOT BE RULED OUT.

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